
FEDERAL DEPOSIT INSURANCE CORPORATION

Executive Management Report

Audited

Financial Results

For the Twelve Months Ending December 31, 1996



Division of Finance

Financial Highlights

For the Twelve Months Ending December 31, 1996

Bank Insurance Fund (BIF):

- ▶ Net income was \$1.4 billion for the 12 months ending December 31, 1996, raising the fund balance to \$26.9 billion.
- ▶ Revenue totaled \$1.7 billion for the 12 months ending December 31, 1996. The fund earned \$1.3 billion in interest on investments in U.S. Treasury securities and received \$73 million in deposit insurance assessments.
- ▶ Other revenue increased by \$191 million to \$246 million over the same period last year. This includes \$205 million that BIF collected from seven closed institutions for interest on its subrogated claims.
- ▶ Provision for insurance losses was a negative \$325 million for the year. This was primarily due to a \$150 million reduction for prior years' bank failures, and a \$204 million reduction for the cost of future failures.
- ▶ Operating expenses through December increased \$34 million compared to the same period last year. A decline in assets held in liquidation resulted in a decrease in the portion of FDIC expenses recovered from receiverships.

Savings Association Insurance Fund (SAIF):

- ▶ Net income was \$5.5 billion for the twelve months ending December 31, 1996, raising the fund balance to \$8.9 billion. Net income increased \$4.1 billion compared to the same period in 1995. This increase is primarily the result of a special assessment to fully capitalize SAIF.
- ▶ Revenue totaled \$5.5 billion during the twelve months ending December 31, 1996, consisting primarily of \$5.2 billion in deposit insurance assessments and \$254 million in interest on investments in U.S. Treasury securities.
- ▶ Operating expenses increased by \$23 million through December 1996 over the same period last year as SAIF became a fully functional insurance fund by assuming liability for deposit insurance for all thrift institutions in July 1995. As a result, SAIF absorbed a higher portion of FDIC costs incurred.
- ▶ Available cash and cash equivalents decreased \$543 million from December 1995 to December 1996 as cash was committed to investments in longer term U.S. Treasury obligations.

FSLIC Resolution Fund (FRF): ~FRF-FSLIC~

- ▶ Net income was \$868 million for the twelve months ending December 31, 1996. Net income was increased by the conversion of two issues of stock warrants of \$598 million and \$100 million, which reduced FRF-FSLIC's provision for losses.
- ▶ Net receivables from thrift resolutions were \$873 million at the end of 1996, compared to \$370 million at year-end 1995. Of the \$873 million, \$598 million represents a receivable from the exchange of stock warrants for common stock. The FRF-FSLIC ultimately received \$651.7 million for the sale of the stock during January 1997.
- ▶ Net cash used for operating activities decreased \$1.7 billion over the same period last year due primarily to assistance agreement payments made to American Savings Bank for claims on the New West FSLA assistance agreement during 1995 that were no longer required in 1996.

~FRF-RTC~

- ▶ In October 1996, \$5.8 billion of securitization credit enhancement reserves was transferred to the Corporation as a non-cash dividend. A line item was added to the financial statements to account for the transaction.
- ▶ Assets in liquidation totaled \$4.4 billion as of December 31, 1996, down \$3.3 billion over the last 12 months.
- ▶ Federal Financing Bank borrowings were reduced \$5.9 billion to \$4.6 billion during the twelve months ending December 31, 1996.
- ▶ The decrease to \$18 million from \$69 million in operating expenses over the same period last year is due to the change in activities of the RTC. Several resolution-related functions no longer exist which resulted in a decrease in non-recoverable expenses. As a result, remaining operating expenses are entirely liquidation-related and therefore mostly recoverable from the receiverships.

Bank and Thrift Failure Activity:

- ▶ Five BIF-insured banks, with assets of \$182 million, failed during 1996. The failures resulted in an estimated cost to the BIF of approximately \$43.2 million, or 24% of assets.
- ▶ Only one SAIF-insured institution, with total assets of \$35 million, failed during 1996. The failures resulted in an estimated cost to the SAIF of approximately \$14 million, or 40% of assets. This failure marked the first time that a SAIF-insured institution has failed since the FDIC assumed responsibility for resolving troubled thrifts from the RTC on July 1, 1995.

Statistical Highlights

(Dollars in Millions)

Fund Results	Bank Insurance Fund (Unaudited)		Savings Association Insurance Fund (Unaudited)	
	YTD 12/31/96	YTD 12/31/95	YTD 12/31/96	YTD 12/31/95
Revenue	\$1,656	\$4,089	\$5,501	\$1,140
Operating Expenses	\$505	\$471	\$63	\$40
Insurance Losses/Expenses	(\$250)	\$13	(\$92)	(\$321)
Net Income	\$1,401	\$3,605	\$5,530	\$1,421
Fund Balance	\$26,854	\$25,453	\$8,888	\$3,358

Selected Statistics

Total Insured Institutions	9,854 (a)	10,282 (b)	1,630 (a)	1,727 (b)
Institution Failures for Current Year	5	6	1	0
Total Assets of Current Year Failures	\$182	\$753	\$35	\$0
Total Estimated Losses of				
Current Year Failures	\$43	\$104	\$15 (c)	\$0 (d)
Receivership/Corporate Owned				
Assets in Liquidation	\$3,817	\$8,801	\$36	\$6

(a) Source: 12/31/96 FDIC Quarterly Banking Profile. BIF figure includes 32 U.S. branches of foreign banks.

(b) Source: 12/31/95 FDIC Quarterly Banking Profile. BIF figure includes 39 U.S. branches of foreign banks.

(c) Includes \$766,000 of the estimated cost of a BIF-Oakar institution.

(d) SAIF did not become responsible for failures of SAIF-member institutions until July 1, 1995.

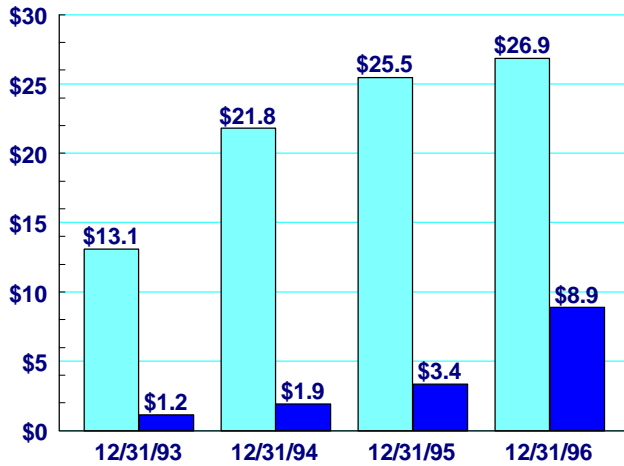
	FRF - FSLIC (Unaudited)		FRF - RTC (Unaudited)		FRF - Consolidated (Unaudited)
	YTD 12/31/96	YTD 12/31/95	YTD 12/31/96	YTD 12/31/95	YTD 12/31/96
<u>Cash Flows</u>					
<i>Cash Flows from Operating Activities:</i>					
Cash Provided by Operating Activities	\$782	\$1,258	\$6,119	\$13,278	\$6,901
Cash Used for Operating Activities	(\$222)	(\$2,395)	(\$1,141)	(\$4,156)	(\$1,363)
Net Cash Provided by/(Used for) Operating Activities	\$560	(\$1,137)	\$4,978	\$9,122	\$5,538
<i>Cash Flows from Financing Activities:</i>					
U.S. Treasury Payments	\$0	\$165	\$0	\$567	\$0
Repayments of Federal Financing Bank Borrowings	\$0	\$0	(\$5,914)	(\$12,471)	(\$5,914)
Payments of Indebtedness Incurred from Thrift Resolution	(\$32)	(\$32)	\$0	\$0	(\$32)
Net Increase/(Decrease) in Cash	\$528	(\$1,004)	(\$936)	(\$2,782)	(\$408)
<u>Selected Statistics</u>					
Resolution Equity	\$1,664	\$796	\$4,918	\$3,410	\$6,582
Number of Active Receiverships	33	62	435	450	468
Number of Other Liquidating Entities	52	54	5	5	57
Receivership/Corporate Owned Assets					
Assets in Liquidation	\$476	\$1,502	\$4,382	\$7,720	\$4,858
Covered/Partnership Assets	\$14	\$499	\$0	\$0	\$14
Federal Financing Bank Borrowings	\$0	\$0	\$4,617	\$10,498	\$4,617

Fund Operations

Financial Results

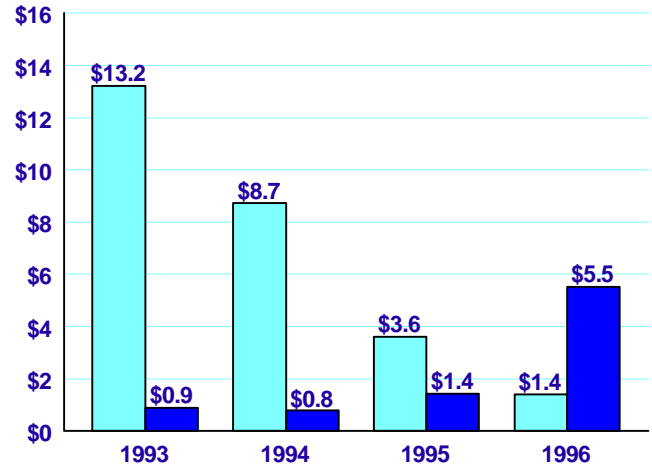
Fund Balance

(Dollars in Billions)
 BIF SAIF



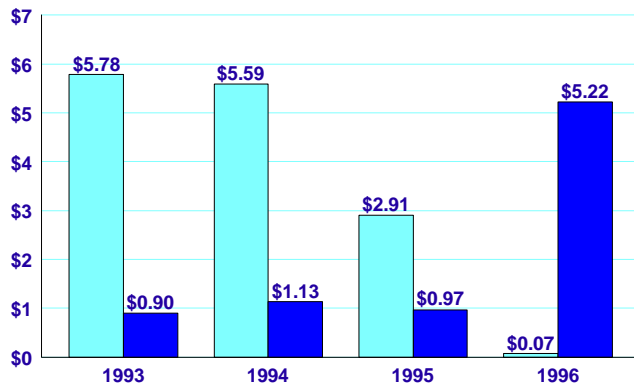
Net Income

(Dollars in Billions)
 BIF SAIF



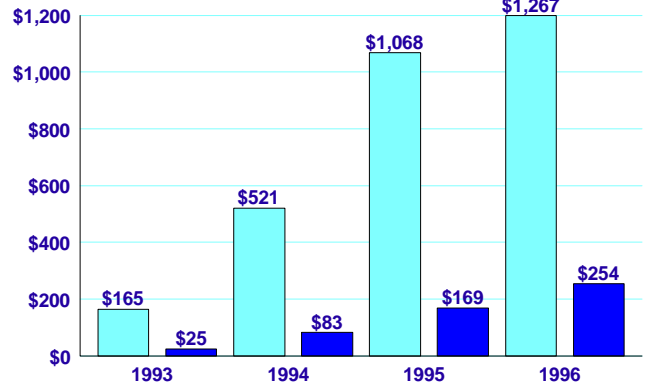
Assessment Revenue

(Dollars in Billions)
 BIF SAIF



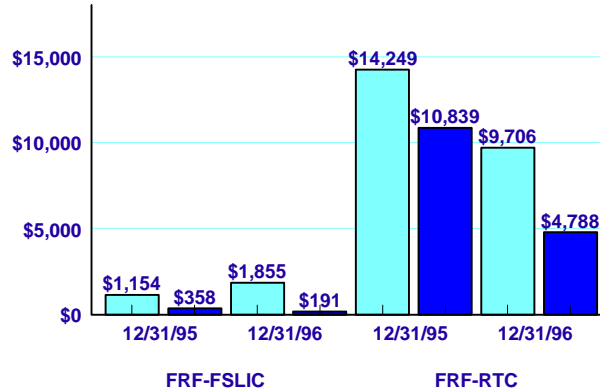
Interest Income

(Dollars in Millions)
 BIF SAIF



FRF Resolution Progress

(Dollars in Millions)
 Total Assets Total Liabilities



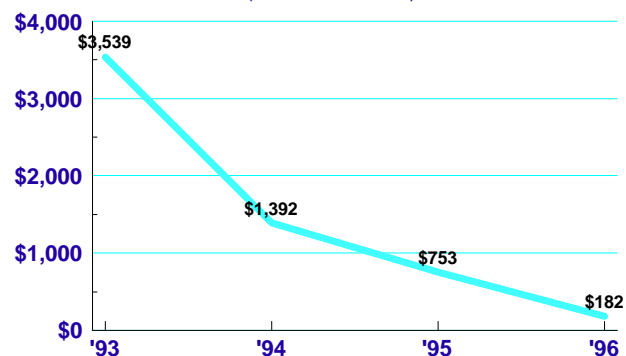
Results for the year ending December 31, 1996 are unaudited.

Insurance Activity

Number of Closed and Assisted BIF-Member Institutions

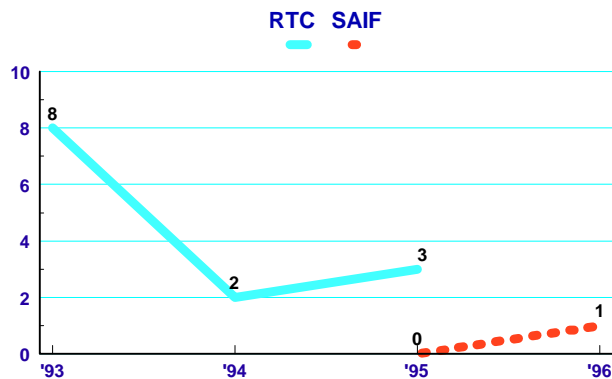


Assets of Closed and Assisted BIF-Member Institutions
at Date of Closing or Assistance
(Dollars in Millions)

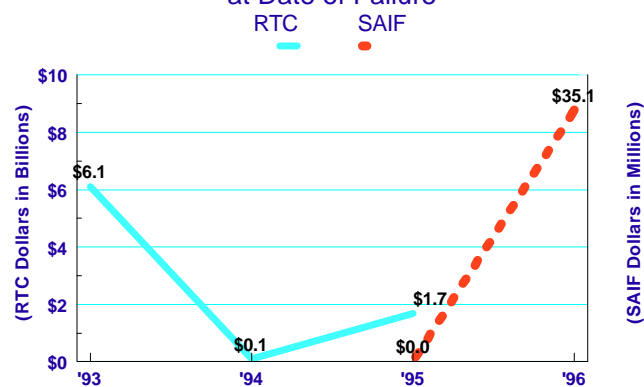


Failed and Assisted BIF-Member Institutions (Dollars in Millions)				
	1993	1994	1995	1996
Number	41	13	6	5
Assets	\$3,539	\$1,392	\$753	\$182

Number of Thrift Failures *



Assets of Failed Thrifts*
at Date of Failure



Failed and Assisted SAIF-Member Institutions*					
	Resolution Trust Corporation (RTC) (Dollars in Billions)			SAIF (Dollars in Millions)	
	1993	1994	1/1/95 to 6/30/95	7/1/95 to 12/31/95	1996
Number	8	2	3	0	1
Assets	\$6.1	\$0.1	\$1.7	\$0.0	\$35.1

*The SAIF assumed responsibility for thrift-member institutions from the RTC on July 1, 1995.

Federal Deposit Insurance Corporation

Statements of Income and Fund Balance

(Dollars in Millions)

	B I F		S A I F	
	Quarter Ending December 31		Quarter Ending December 31	
	(Unaudited)		(Unaudited)	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
<u>Revenue</u>				
Assessments	\$ 19	\$ 261	\$ 4,493	\$ 156
Interest on U.S. Treasury investments	329	302	86	50
Revenue from corporate owned assets	14	15	0	0
Other revenue	216	25	24	0
Total Revenue	578	603	4,603	206
<u>Expenses and Losses</u>				
Operating expenses	164	146	19	28
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	(349)	60	(77)	(95)
Corporate owned asset expenses	15	19	0	0
Interest and other insurance expenses	0	0	0	0
Subtotal Insurance Losses/Expenses	(334)	79	(77)	(95)
Total Expenses and Losses	(170)	225	(58)	(67)
Net Income	748	378	4,661	273
Fund Balance - Beginning	26,106	25,075	4,227	3,085
Fund Balance - Ending	\$ 26,854	\$ 25,453	\$ 8,888	\$ 3,358

	B I F		S A I F	
	Y-T-D December		Y-T-D December	
	(Unaudited)		(Unaudited)	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
<u>Revenue</u>				
Assessments	\$ 73	\$ 2,907	\$ 5,221	\$ 970
Interest on U.S. Treasury investments	1,267	1,068	254	169
Revenue from corporate owned assets	70	59	0	0
Other revenue	246	55	26	1
Total Revenue	1,656	4,089	5,501	1,140
<u>Expenses and Losses</u>				
Operating expenses	505	471	63	40
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	(325)	(33)	(92)	(321)
Corporate owned asset expenses	74	74	0	0
Interest and other insurance expenses	1	(28)	0	0
Subtotal Insurance Losses/Expenses	(250)	13	(92)	(321)
Total Expenses and Losses	255	484	(29)	(281)
Net Income	1,401	3,605	5,530	1,421
Fund Balance - Beginning	25,453	21,848	3,358	1,937
Fund Balance - Ending	\$ 26,854	\$ 25,453	\$ 8,888	\$ 3,358

Federal Deposit Insurance Corporation

Statements of Financial Position

(Dollars in Millions)

	B I F		S A I F	
	December 31		December 31	
	(Unaudited)		(Unaudited)	
<u>Assets</u>	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
Cash and cash equivalents - available	\$ 258	\$ 531	\$ 357	\$ 900
Investment in U.S. Treasury obligations, net	22,083	20,762	8,574	2,643
Receivables from resolutions, net	4,341	4,143	19	0
Investment in corporate owned assets, net	63	180	0	0
<i>Cash and Investments (Restricted):</i>				
FICO reserve	0	0	0	0
Exit fees	0	0	228	215
Property and buildings, net	149	152	0	0
Other assets, net	385	407	121	37
Total Assets	\$ 27,279	\$ 26,175	\$ 9,299	\$ 3,802
<u>Liabilities and the Fund Balance</u>				
Accounts payable and other liabilities	\$ 240	\$ 225	\$ 179	\$ 118
<i>Estimated Liabilities for:</i>				
Anticipated failure of insured institutions	75	279	4	111
Assistance agreements	51	56	0	0
Asset securitization guarantee	44	126	0	0
Litigation losses	15	36	0	0
Total Liabilities	425	722	183	229
<i>Funds Held in Escrow:</i>				
Assessment collections held in escrow on behalf of FICO	0	0	0	0
SAIF-member exit fees and investment proceeds held in escrow	0	0	228	215
Total Funds Held in Escrow:	0	0	228	215
Fund Balance	26,854	25,453	8,888	3,358
Total Liabilities and the Fund Balance	\$ 27,279	\$ 26,175	\$ 9,299	\$ 3,802

Federal Deposit Insurance Corporation

Financial Statements for FRF - FSLIC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	(Unaudited) December 31 1996	(Unaudited) December 31 1995
<u>Assets</u>		
Cash and cash equivalents	\$ 803	\$ 275
Receivables from thrift resolutions, net	873	370
Investment in corporate owned assets, net	164	504
Other assets, net	15	5
Total Assets	\$ 1,855	\$ 1,154
<u>Liabilities and Resolution Equity</u>		
<u>Liabilities</u>		
Accounts payable and other liabilities	\$ 11	\$ 11
Liabilities incurred from thrift resolutions	137	239
<i>Estimated Liabilities for:</i>		
Assistance agreements	16	81
Litigation losses	27	27
Total Liabilities	191	358
<u>Resolution Equity</u>		
Contributed capital	44,156	44,156
Accumulated deficit	(42,492)	(43,360)
Total Resolution Equity	1,664	796
Total Liabilities and Resolution Equity	\$ 1,855	\$ 1,154

STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	(Unaudited) Year to Date December 31 1996	(Unaudited) Year to Date December 31 1995
<u>Revenue</u>		
Interest on U.S. Treasury obligations	\$ 26	\$ 47
Revenue from corporate owned assets	106	77
Limited partnership	55	283
Interest on advances and other revenue	17	31
Total Revenue	204	438
<u>Expenses and Losses</u>		
Operating expenses	7	12
Interest expense	8	14
Corporate owned asset expenses	60	55
Provision for losses	(742)	(14)
Other expenses	3	5
Total Expenses and Losses	(664)	72
Net Income	868	366
Accumulated Deficit - Beginning	(43,360)	(43,726)
Accumulated Deficit - Ending	\$ (42,492)	\$ (43,360)

Federal Deposit Insurance Corporation

Financial Statements for FRF - RTC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	(Unaudited) December 31 1996	(Unaudited) December 31 1995
<u>Assets</u>		
Cash and cash equivalents	\$ 300	\$ 1,236
Receivables from thrift resolutions, net	3,582	12,506
Securitization Reserve Fund	5,804	0
Investment in corporate owned assets, net	19	501
Other assets, net	1	6
Total Assets	\$ 9,706	\$ 14,249
<u>Liabilities and Resolution Equity</u>		
<u>Liabilities</u>		
Accounts payable and other liabilities	\$ 153	\$ 194
Notes payable - Federal Financing Bank borrowings	4,617	10,498
Liabilities incurred from thrift resolutions	6	10
<i>Estimated Liabilities for:</i>		
Assistance agreements	0	0
Litigation losses	12	137
Total Liabilities	4,788	10,839
<u>Resolution Equity</u>		
Contributed capital	91,345	91,345
Accumulated deficit	(86,427)	(87,935)
Total Resolution Equity	4,918	3,410
Total Liabilities and Resolution Equity	\$ 9,706	\$ 14,249

STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	(Unaudited) Year to Date December 31 1996	(Unaudited) Year to Date December 31 1995
<u>Revenue</u>		
Interest on Securitization Reserve Fund	\$ 82	\$ 0
Revenue from corporate owned assets	123	37
Interest on advances and other revenue	110	668
Total Revenue	315	705
<u>Expenses and Losses</u>		
Operating expenses	18	69
Interest expense	378	950
Corporate owned asset expenses	69	38
Provision for losses	(1,658)	(2,616)
Total Expenses and Losses	(1,193)	(1,559)
Net Income (Loss)	1,508	2,264
Accumulated Deficit - Beginning	(87,935)	(90,199)
Accumulated Deficit - Ending	\$ (86,427)	\$ (87,935)

Federal Deposit Insurance Corporation

Financial Statements for FRF - Consolidated

(Dollars in Millions)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
	(Unaudited) December 31, 1996 Consolidated FRF
<u>Assets</u>	
Cash and cash equivalents	\$ 1,103
Receivables from thrift resolutions, net	4,455
Securitization Reserve Fund	5,804
Investment in corporate owned assets, net	183
Other assets, net	16
Total Assets	\$ 11,561
<u>Liabilities and Resolution Equity</u>	
<u>Liabilities</u>	
Accounts payable and other liabilities	\$ 164
Notes payable - Federal Financing Bank borrowings	4,617
Liabilities incurred from thrift resolutions	143
<i>Estimated Liabilities for:</i>	
Assistance agreements	16
Litigation losses	39
Total Liabilities	4,979
<u>Resolution Equity</u>	
Contributed capital	135,501
Accumulated deficit	(128,919)
Total Resolution Equity	6,582
Total Liabilities and Resolution Equity	\$ 11,561

CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED DEFICIT	
	(Unaudited) Year to Date December 31, 1996 Consolidated FRF
<u>Revenue</u>	
Interest on Securitization Reserve Fund	\$ 82
Interest on U.S. Treasury obligations	26
Revenue from corporate owned assets	229
Limited partnership	55
Interest on advances and other revenue	127
Total Revenue	519
<u>Expenses and Losses</u>	
Operating expenses	25
Interest expense	386
Corporate owned asset expenses	129
Provision for losses	(2,400)
Other expenses	3
Total Expenses and Losses	(1,857)
Net Income	2,376
Accumulated Deficit - Beginning	(131,295)
Accumulated Deficit - Ending	\$ (128,919)